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MEMORANDUM FOR: DD/I

I would be interested in your reaction to the attached piece from this week's issue of Time. Are our Embassies and Stations tied in closely enough with overseas money circles to keep you and your analysts informed in such a way as to permit use of the information as a tool for analysis?

MBC
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Money talks, but not everyone can understand what it is saying. Perhaps the world's most skilled interpreters can be found in Lebanon, second only to Switzerland as a free-wheeling money market. Beirut bankers are convinced that they can often glimpse the future in the movement of money. Last week they were glimpsing harder than ever. As one banker explained, "It's just before the Ramadan, the month-long Moslem fast when people tend to be jittery. This is the scheming season."

Worried Rich. Of course, many factors influence the ups and downs of money markets, but when a country's currency is in strong demand for no apparent reason, it is often a signal to the shrewd Lebanese experts that someone is buying it up to send back home in order to finance a coup. Example: just before Abdul Karim Kassem took power in Iraq in 1958, the Iraqi dinar's price moved up sharply. The traffic goes the other way too: when the rich in a particular country get worried about impending trouble (for instance, before Nasser started nationalizing), they are apt to move their money to Lebanon, ready to follow in person if necessary. "Money is the world's greatest coward," explains Intra Bank Chairman Yusif Bedas.

Sometimes "flight" money arrives just

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to tell when something is up.

Lost Crown. Beirut's 84 banks have deposits totaling some \$1.2 billion, roughly 80% of it in foreign money. In recent weeks, about \$150 million has flowed into Lebanon, considerably more than normal. From this, the money watchers form a picture of the current situation in the Middle East area.

- **SAUDI ARABIA** sent an estimated \$55 million flowing to Beirut, meaning that ex-King Saud has finally given up hope of regaining his throne from his half brother King Feisal. Were Saud determined to fight for his crown, he would instead be converting some of his considerable foreign assets into Saudi Arabian rials to ship home and use in bribing Bedouin sheiks to revolt against Feisal. Meanwhile, money is beginning to flow back into Saudi Arabia, too, from rich Saudis convinced Feisal means business and is in power for good.

- **KUWAIT** sent some \$10 million to Beirut. Though prosperous, Kuwait is also jittery. Aged, gouty Emir Abdullah al-Sabah broke off medical treatment in Bombay to rush home last week and deal with a Cabinet crisis that boils down to a clash within the Emir's own numerous and irascible family. On top of that, a wrangle between Kuwaiti merchants and a British importing firm that had a monopoly on the liquor trade resulted in an unsettling solution: the Assembly imposed prohibition.

- **SYRIA** accounted for an influx of \$40 million in Syrian pounds, of which only \$6,000,000 was officially sanctioned to finance imports. The remaining millions are flight capital, set in motion by the resignation of Syria's No. 2 man, General Mohammed Omran, making another coup in coup-prone Syria (15 in the past 18 years) more likely. Syria's announcement of its intention to nationalize all oil resources added to the business community's edginess.

- **IRAQ** entered the picture because there were steady, sizable purchases of Iraqi dinars. Since the Kurdish rebels are on the warpath again against the Baghdad government, and since the Shah of Iran hates the Iraq regime—fearing its union with Egypt, which would bring Nasser to his very borders—the theory is that Iranians have been buying up Iraqi currency to subsidize the Kurdish rebels.

- **THE SUDAN** registered on the Lebanon market with a run on Sudanese pounds, normally a sluggish currency. Conceivably the money could be for a coup, since the Sudan is racially torn between Arabs and Negroes, but the experts think not. "The demand was quick and sudden, not the kind that usually applies to coups," a banker explained. "The coup kind is slower, steadier." Best guess: the orders are being placed indirectly by Egypt, Algeria, and the Soviet Union to finance armaments for the Sudan for

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